

HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

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Frequently Asked Questions About War Costs

1. How much funding has been made available to finance the “Global War on Terrorism” (GWOT)?

To date, \$231 billion has been made available to finance the three operations the Administration calls GWOT – Operation Iraqi Freedom, Operation Enduring Freedom (Afghanistan), and Operation Noble Eagle (enhanced security operations at military installations here at home). Congress has appropriated \$224 billion to fund these three operations since September 11, 2001. The Administration has also transferred more than \$6 billion from its regular accounts to augment funding for these efforts.

Almost \$160 billion of the total is for operations in Iraq. This amount is already within the \$100 billion to \$200 billion cost range President Bush’s chief economic adviser Lawrence Lindsey estimated an Iraq war might cost in the months leading up to the invasion. Members of the Administration publicly criticized Lindsey, saying such estimates were too high.

The table on the following page provides a funding breakout by operation.¹

¹ Funding amounts by operation are *estimated* because neither the Administration requests nor the congressional appropriations specified funding by individual operation. House Budget Committee Democratic staff estimated by using information provided by the Office of Management and Budget (OMB) and the Department of Defense (DoD); Congressional Research Service Reports on FY 2001, FY 2002 and FY 2003 supplemental appropriations; DoD reprogramming document; and the Defense Finance and Accounting Service’s Terrorist Response Cost Reports.

**Funds Available for Operations in Iraq and Afghanistan, and Enhanced Security
(BA in Billions of Dollars)**

	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>Total</u>
Iraq					
Military					
Supplementals	0.0	0.0	52.0	51.5	103.5
FY 2005 Defense Appropriation	0.0	0.0	0.0	21.5	21.5
Transfers	<u>0.0</u>	<u>0.0</u>	<u>0.4</u>	<u>4.9</u>	<u>5.3</u>
Subtotal Military	0.0	0.0	52.4	77.9	130.3
Reconstruction, Foreign Assistance, Other					
Supplementals (FY 2003- FY 2004)	0.0	0.0	6.6	19.4	26.0
FY 2005 Defense Appropriation	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.7</u>	<u>0.7</u>
Subtotal Reconstruction, etc.	0.0	0.0	6.6	20.1	26.7
<i>Subtotal Iraq</i>	0.0	0.0	59.0	98.0	157.0
Afghanistan, Enhanced Security					
Military					
Supplementals (FY 2001- FY 2004)	13.0	17.5	10.6	13.7	54.8
FY 2003 Consolidated Appropriation	0.0	0.0	10.0	0.0	10.0
FY 2003 Defense Appropriation	0.0	0.0	3.5	0.0	3.5
FY 2004 Defense Appropriation	0.0	0.0	-3.5	0.0	-3.5
FY 2005 Defense Appropriation	0.0	0.0	0.0	3.5	3.5
Transfers	<u>0.0</u>	<u>0.0</u>	<u>0.1</u>	<u>0.8</u>	<u>0.9</u>
Subtotal Military	13.0	17.5	20.7	18.0	69.2
Reconstruction, Foreign Assistance, Other					
Supplementals (FY 2001- FY 2004)	<u>0.5</u>	<u>0.6</u>	<u>1.4</u>	<u>1.9</u>	<u>4.4</u>
Subtotal Reconstruction, etc.	0.5	0.6	1.4	1.9	4.4
<i>Subtotal Afghanistan, Enhanced Security</i>	13.5	18.1	22.1	19.9	73.6
Total	13.5	18.1	81.1	117.9	230.6

Sources: Reconstruction supplemental funding estimates from OMB; Military supplemental estimates from DoD; Foreign Assistance estimates from Congressional Research Service reports on FY 2003 and FY 2004 supplemental appropriations.

Notes: Estimates include military operations, reconstruction, and foreign assistance funding. According to DoD, approximately \$3.5 billion was appropriated in the FY 2003 Defense Appropriation Act for enhanced security. Estimates assume the DoD transfers and \$25 billion war reserve will be used in support of Iraq and Afghanistan in amounts proportional to obligations incurred in 2004 (85% Iraq, 15% Afghanistan). Though approved in the FY 2005 Defense Appropriations Act, the \$25 billion war reserve is included in 2004 – consistent with Congressional Budget Office (CBO) scoring – because Congress made the funds available in August 2004, immediately upon enactment of the bill.

2. Are sufficient funds available to finance operations in Iraq and Afghanistan and

enhanced security at military installations through fiscal year 2005?

No. There are insufficient funds available to finance these three operations through the rest of this fiscal year. The Administration included no funding for these operations in its original 2005 budget request. After considerable congressional pressure, the Administration did submit a belated request totaling \$25 billion as a stop-gap measure until it could submit another emergency supplemental appropriation request in January. Congress approved the \$25 billion in the 2005 defense appropriations bill.

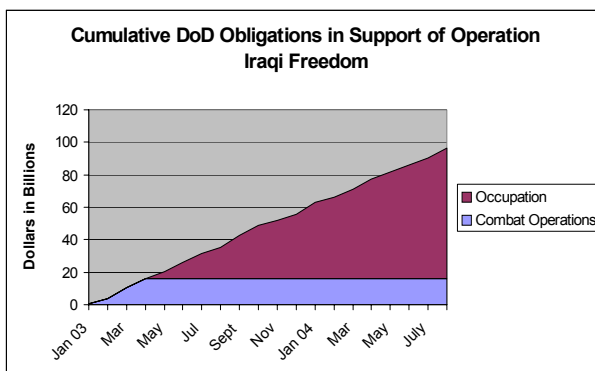
The House Budget Committee Democratic staff estimates that the Administration will have to request another \$55 billion to finance DoD operations through the remainder of the year, assuming DoD continues to obligate funds for these operations at the current rate. The *Washington Post* reported on October 26th that some Administration officials believe the request will be \$70 billion. A request of this size will push the amount of funds for Iraq over the \$200 billion mark.

3. Of the \$231 billion made available for these operations, how much has been obligated?

Excluding funding for classified, intelligence, and foreign assistance programs, approximately \$170 billion has been obligated for these three operations as of August 2004.² Of this amount, \$106 billion are obligations in support of operations in Iraq: \$97 billion for military operations and \$9 billion for reconstruction efforts.

Most of the \$97 billion obligated in support of military operations in Iraq came after the President announced the end of major combat operations on May 1, 2003. Only \$16 billion had been obligated up to that point.

DoD has obligated funds for Iraq at a faster rate than it anticipated because of the unexpected high level of hostilities. Accounting reports show that DoD obligated all of the funding provided to it in the FY 2004 emergency supplemental appropriation before the end of the fiscal year. DoD began spending the \$25 billion war reserve early, in August 2004, despite repeated claims that it would not use those funds until October, when the new fiscal year started.



While the Administration reports that almost half of the more than \$20 billion appropriated for

²Obligations against the \$11 billion appropriated for intelligence and classified programs over fiscal years 2003 and 2004 are not reported through DoD's Defense Finance and Accounting Service. Obligation data on the \$5 billion of foreign assistance funding is not readily available.

DoD's accounting system is unable to collect outlay, or expenditure, data for obligations in support of GWOT. Therefore, an accurate estimate of how much has actually been "spent" on these operations is unavailable.

reconstruction efforts in Iraq is obligated, most of the obligated funds are not yet spent. The Administration has been able to award contracts (incur obligations) for reconstruction projects, but the adverse security situation has made it difficult for contractors to carry out the projects they were contracted to do.

4. What is the monthly DoD “burn rate,” or obligation rate, for these operations?

The DoD has obligated an average of \$6 billion per month in support of Iraq, Afghanistan, and enhanced security operations during 2004. A breakdown by operation is as follows:

Average 2004 Monthly Rate of Obligation (Dollars in Billions)

<u>Operation</u>	<u>Avg. Monthly Obligations</u>
Iraq	4.9
Afghanistan	0.8
Enhanced Security	<u>0.3</u>
Total	6.0

Source: Defense Finance and Accounting Service Terrorist Response Cost Reports.

Notes: Average obligation rates are calculated through August 2004. The burn rate does not include obligations in support of classified and intelligence programs.

5. How much will Iraq, Afghanistan, and enhanced security operations cost in the future?

It is difficult to say with precision what the cost for these operations will be given the uncertainty of what our troop level commitments will be in Iraq and Afghanistan in the years to come. However, one possible scenario is that troops could remain at current levels over the next two years and then ramp down steadily thereafter to a much smaller presence – about 55,000 troops supporting Iraq and only a few thousand troops supporting Afghanistan – for an indefinite period. Based on these assumptions, the CBO calculated the federal government would need to budget an additional \$324 billion over 2005 through 2014: \$208 billion for Iraq and \$116 billion for Afghanistan and enhanced security. Combined with the funds already provided through 2004, funding for these operations would total \$555 billion: \$365 billion for Iraq and \$190 billion for Afghanistan and enhanced security.³

It is also worth noting that because all of the funds for these operations are borrowed, the actual bill will be much higher after including the interest on the additional debt that the federal government will incur. Interest on \$555 billion could be as much as \$240 billion through 2014.

³ Estimates from CBO’s Letter to Senator Kent Conrad dated June 25, 2004, and the CBO report, “The Budget and Economic Outlook: An Update,” September 2004.